

**REPORT OF THE AUDIT OF THE  
LARUE COUNTY  
FISCAL COURT**

**For The Fiscal Year Ended  
June 30, 2005**



**CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS  
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## **EXECUTIVE SUMMARY**

### **AUDIT EXAMINATION OF THE LARUE COUNTY FISCAL COURT**

**June 30, 2005**

The Auditor of Public Accounts has completed the audit of the LaRue County Fiscal Court for fiscal year ended June 30, 2005. We have issued an unqualified opinion on the governmental activities, business-type activities, each major fund, and the aggregate remaining fund information.

#### **Financial Condition:**

The fiscal court had net assets of \$8,757,838 as of June 30, 2005. The fiscal court had unrestricted net assets of \$1,366,355 in its governmental activities as of June 30, 2005, with total net assets of \$8,744,008. In its enterprise fund, total net cash and cash equivalents were \$13,830 with total net assets of \$13,830. Total debt principal as of June 30, 2005 was \$2,356,114 with \$247,273 due within the next year.

#### **Deposits:**

The fiscal court deposits were insured and collateralized by bank securities.



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**CRIT LUALLEN**  
**AUDITOR OF PUBLIC ACCOUNTS**

To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Tommy Turner, LaRue County Judge/Executive  
Members of the LaRue County Fiscal Court

Independent Auditor's Report

We have audited the accompanying financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements, as listed in the table of contents. These financial statements are the responsibility of the LaRue County Fiscal Court. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States, and the Audit Guide for Fiscal Court Audits issued by the Auditor of Public Accounts, Commonwealth of Kentucky. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

As described in Note 1, LaRue County, Kentucky, prepares its financial statements on a prescribed basis of accounting that demonstrates compliance with the modified cash basis, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of June 30, 2005, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with the basis of accounting described in Note 1.

The county has not presented the management's discussion and analysis that the Governmental Accounting Standards Board (GASB) has determined is necessary to supplement, although not required to be part of, the basic financial statements. The Budgetary Comparison Information is not a required part of the basic financial statements but is supplementary information required by GASB. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the budgetary comparison information. However, we did not audit it and express no opinion on it.



To the People of Kentucky  
Honorable Ernie Fletcher, Governor  
John R. Farris, Secretary  
Finance and Administration Cabinet  
Honorable Tommy Turner, LaRue County Judge/Executive  
Members of the LaRue County Fiscal Court

Our audit was conducted for the purpose of forming opinions on the financial statements that collectively comprise LaRue County, Kentucky's basic financial statements. The accompanying supplementary information, combining fund financial statements, are presented for additional analysis and are not a required part of the basic financial statements. The combining fund financial statements have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated in all material respects in relation to the basic financial statements taken as a whole.

In accordance with Government Auditing Standards, we have also issued our report dated April 6, 2006 on our consideration of LaRue County, Kentucky's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements and other matters. The purpose of that report is to describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a stylized flourish at the end.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
April 6, 2006



LARUE COUNTY OFFICIALS

For The Year Ended June 30, 2005

**Fiscal Court Members:**

Tommy Turner	County Judge/Executive
William Bryan Durham	Magistrate
Johann Pat Eastridge	Magistrate
Peggy B. Hawkins	Magistrate
Edward Scotty Lee	Magistrate

**Other Elected Officials:**

Dale Morris	County Attorney
Ralph Mac Trumbo	Jailer
Linda Carter	County Clerk
Larry Bell	Circuit Court Clerk
Bobby Shoffner	Sheriff
James Q. Shaw	Property Valuation Administrator
George Bertram	Coroner

**Appointed Personnel:**

Lauralene Reed	County Treasurer
Renee Strock	Finance Officer
Kathy Oveson	Administrative Assistant
Tommy Rosel	Road Supervisor
Clara Mae Druen	911 Administrator
Linda Flenner	Jail Administrative Assistant

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**LARUE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2005**



**LARUE COUNTY**  
**STATEMENT OF NET ASSETS - MODIFIED CASH BASIS**

**June 30, 2005**

	<b>Primary Government</b>		
	<b>Governmental</b>	<b>Business-Type</b>	
	<b>Activities</b>	<b>Activities</b>	<b>Totals</b>
<b>ASSETS</b>			
Current Assets:			
Cash and Cash Equivalents	\$ 1,366,358	\$ 13,830	\$ 1,380,188
Total Current Assets	<u>1,366,358</u>	<u>13,830</u>	<u>1,380,188</u>
Noncurrent Assets:			
Capital Assets - Net of Accumulated Depreciation			
Land and Land Improvements	1,107,499		1,107,499
Buildings	4,522,197		4,522,197
Other Equipment	462,813		462,813
Vehicles and Equipment	194,751		194,751
Infrastructure Assets - Net of Depreciation	<u>3,446,505</u>		<u>3,446,505</u>
Total Noncurrent Assets	<u>9,733,765</u>		<u>9,733,765</u>
Total Assets	<u>11,100,123</u>	<u>13,830</u>	<u>11,113,953</u>
<b>LIABILITIES</b>			
Current Liabilities:			
Financing Obligations Payable	117,273		117,273
General Obligation Bonds Payable	80,000		80,000
Revenue Bonds Payable	<u>50,000</u>		<u>50,000</u>
Total Current Liabilities	<u>247,273</u>		<u>247,273</u>
Noncurrent Liabilities:			
Financing Obligations Payable	413,842		413,842
General Obligation Bonds Payable	1,415,000		1,415,000
Revenue Bonds Payable	<u>280,000</u>		<u>280,000</u>
Total Noncurrent Liabilities	<u>2,108,842</u>		<u>2,108,842</u>
Total Liabilities	<u>2,356,115</u>		<u>2,356,115</u>
<b>NET ASSETS</b>			
Invested in Capital Assets, Net of Related Debt	7,377,650		7,377,650
Restricted For:			
Debt Service	3		3
Unrestricted	<u>1,366,355</u>	<u>13,830</u>	<u>1,380,185</u>
Total Net Assets	<u>\$ 8,744,008</u>	<u>\$ 13,830</u>	<u>\$ 8,757,838</u>

The accompanying notes are an integral part of the financial statements.

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**LARUE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**

**LARUE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

		Program Revenues Received		
Functions/Programs	Expenses	Charges for Services	Operating Grants and Contributions	Capital Grants and Contributions
Primary Government:				
Governmental Activities:				
General Government	\$ 1,109,813	\$ 87,634	\$ 289,047	\$
Protection to Persons and Property	1,517,318	1,277,441	129,165	
General Health and Sanitation	70,545			
Social Services	28,000			
Recreation and Culture	113,161			
Roads	891,995		760,529	218,179
Interest on Long Term Debt	96,732			
Total Governmental Activities	3,827,564	1,365,075	1,178,741	218,179
Business-Type Activities:				
Jail Canteen Fund	173,328	172,423		
Total Business-Type Activities	173,328	172,423		
Total Primary Government	\$ 4,000,892	\$ 1,537,498	\$ 1,178,741	\$ 218,179

**General Revenues:**

Taxes:

    Real Property Taxes

    Motor Vehicle Taxes

    Other Taxes

Excess Fees

Unrestricted Investment Earnings

Miscellaneous Revenues

Total General Revenues

Change in Net Assets

Net Assets - Beginning (Restated)

Net Assets - Ending

The accompanying notes are an integral part of the financial statements.



**LARUE COUNTY**  
**STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>Net (Disbursements) Receipts and Changes in Net Assets</b>		
<b>Primary Government</b>		
<b>Governmental Activities</b>	<b>Business-Type Activities</b>	<b>Totals</b>
\$ (733,132)	\$	\$ (733,132)
(110,712)		(110,712)
(70,545)		(70,545)
(28,000)		(28,000)
(113,161)		(113,161)
86,713		86,713
(96,732)		(96,732)
(1,065,569)		(1,065,569)
	(905)	(905)
	(905)	(905)
\$ (1,065,569)	\$ (905)	\$ (1,066,474)
580,837		580,837
99,851		99,851
245,096		245,096
89,644		89,644
35,292	134	35,426
91,052		91,052
1,141,772	134	1,141,906
76,203	(771)	75,432
8,667,805	14,601	8,682,406
\$ 8,744,008	\$ 13,830	\$ 8,757,838

The accompanying notes are an integral part of the financial statements.

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**LARUE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2005**



**LARUE COUNTY**  
**BALANCE SHEET - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**June 30, 2005**

	<u>General Fund</u>	<u>Road And Bridge Fund</u>	<u>Jail Fund</u>	<u>Non- Major Funds</u>	<u>Total Governmental Funds</u>
<b>ASSETS</b>					
Cash and Cash Equivalents	\$ 1,326,570	\$ 2,380	\$ 37,405	\$ 3	\$ 1,366,358
Total Assets	<u>\$ 1,326,570</u>	<u>\$ 2,380</u>	<u>\$ 37,405</u>	<u>\$ 3</u>	<u>\$ 1,366,358</u>
<b>FUND BALANCES</b>					
Reserved for:					
General Fund	\$ 25,549	\$	\$	\$	\$ 25,549
Unreserved:					
General Fund	1,301,021				1,301,021
Special Revenue Funds		2,380	37,405		39,785
Debt Service Funds				3	3
Total Fund Balances	<u>\$ 1,326,570</u>	<u>\$ 2,380</u>	<u>\$ 37,405</u>	<u>\$ 3</u>	<u>\$ 1,366,358</u>

**Reconciliation to Statement of Changes In Net Assets:**

Total Fund Balances	\$ 1,366,358
Amounts Reported for Governmental Activities in the Statement of Net Assets Are Different Because:	
Capital Assets Used in Governmental Activities Are Not Financial Resources and Therefore Are Not Reported in the Funds.	15,787,570
Depreciation	(6,053,805)
Long-Term Debt is Not Due and Payable in the Current Period and, Therefore, is Not Reported in the Funds.	
Financing Obligations	(531,115)
Bonded Debt	<u>(1,825,000)</u>
Net Assets Of Governmental Activities	<u>\$ 8,744,008</u>

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**LARUE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**





**LARUE COUNTY**  
**STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<b>General Fund</b>	<b>Road And Bridge Fund</b>	<b>Jail Fund</b>	<b>Non- Major Funds</b>	<b>Total Governmental Funds</b>
<b>REVENUES</b>					
Taxes	\$ 924,400	\$	\$	\$	\$ 924,400
In Lieu Tax Payments	1,384				1,384
Excess Fees	89,644				89,644
Licenses and Permits	56,807				56,807
Intergovernmental	375,085	978,708	828,335		2,182,128
Charges for Services	466,966		33,940		500,906
Miscellaneous	59,623	28,425	25,158		113,206
Interest	32,930	2,303	59		35,292
Total Revenues	<u>2,006,839</u>	<u>1,009,436</u>	<u>887,492</u>		<u>3,903,767</u>
<b>EXPENDITURES</b>					
General Government	383,501				383,501
Protection to Persons and Property	533,075		910,092		1,443,167
General Health and Sanitation	63,282				63,282
Social Services	21,781				21,781
Recreation and Culture	107,867				107,867
Roads		979,834			979,834
Debt Service	7,754		12,667	204,065	224,486
Administration	411,536	128,608	146,538		686,682
Total Expenditures	<u>1,528,796</u>	<u>1,108,442</u>	<u>1,069,297</u>	<u>204,065</u>	<u>3,910,600</u>
Excess (Deficiency) of Revenues Over Expenditures Before Transfers and Financing Sources (Uses)	<u>478,043</u>	<u>(99,006)</u>	<u>(181,805)</u>	<u>(204,065)</u>	<u>(6,833)</u>
<b>Other Financing Sources (Uses)</b>					
Transfers From Other Funds		92,000	356,822	204,065	652,887
Transfers To Other Funds	(448,822)		(204,065)		(652,887)
Total Other Financing Sources (Uses)	<u>(448,822)</u>	<u>92,000</u>	<u>152,757</u>	<u>204,065</u>	
Net Change in Fund Balances	29,221	(7,006)	(29,048)		(6,833)
Fund Balances - Beginning	1,297,349	9,386	66,453	3	1,373,191
Fund Balances - Ending	<u>\$ 1,326,570</u>	<u>\$ 2,380</u>	<u>\$ 37,405</u>	<u>\$ 3</u>	<u>\$ 1,366,358</u>

The accompanying notes are an integral part of the financial statements.

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**LARUE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**



**LARUE COUNTY**  
**RECONCILIATION OF THE STATEMENT OF REVENUES,**  
**EXPENDITURES, AND CHANGES IN FUND BALANCES OF**  
**GOVERNMENTAL FUNDS TO THE STATEMENT OF ACTIVITIES - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

**Reconciliation to the Statement of Activities:**

Net Change in Fund Balances - Total Governmental Funds	\$	(6,833)
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Amounts Reported for Governmental Activities in the Statement of Activities  
Are Different Because:

Governmental Funds Report Capital Outlays as Expenditures. However, in the  
Statement of Activities the Cost of Those Assets Is Allocated Over Their  
Estimated Useful Lives and Reported as Depreciation Expense.

Capital Outlay		256,044
Depreciation Expense		(402,398)

Lease and Bond Principal Payments Are Expensed in the Governmental Funds  
As a Use of Current Financial Resources.

Financing Obligations		109,390
Bond Payments		<u>120,000</u>

Change in Net Assets of Governmental Activities	\$	<u><u>76,203</u></u>
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**LARUE COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2005**





**LARUE COUNTY**  
**STATEMENT OF NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**June 30, 2005**

	<u><b>Business-Type Activities</b></u>
	<u><b>Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Assets</b>	
Current Assets:	
Cash and Cash Equivalents	\$ 13,830
Total Current Assets	<u>13,830</u>
<b>Net Assets</b>	
Unrestricted	13,830
Total Net Assets	<u><u>\$ 13,830</u></u>

The accompanying notes are an integral part of the financial statements.

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**LARUE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**



**LARUE COUNTY**  
**STATEMENT OF REVENUES, EXPENSES, AND**  
**CHANGES IN FUND NET ASSETS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<u><b>Business-Type Activities</b></u>
	<u><b>Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Operating Revenues</b>	
Canteen Receipts	\$ 27,104
Total Operating Revenues	<u>27,104</u>
<b>Operating Expenses</b>	
Cost of Sales	<u>125,936</u>
Total Operating Expenses	<u>125,936</u>
Operating Loss	<u>(98,832)</u>
<b>Nonoperating Revenues (Expenses)</b>	
Interest Income	134
Inmate Pay From State	7,906
Inmate Account	137,413
Inmate State Payroll	(1,991)
Inmate Refunds	(32,852)
Miscellaneous	<u>(12,549)</u>
Total Nonoperating Revenues (Expenses)	<u>98,061</u>
Change In Net Assets	(771)
Total Net Assets - Beginning	<u>14,601</u>
Total Net Assets - Ending	<u><u>\$ 13,830</u></u>

The accompanying notes are an integral part of the financial statements.

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**LARUE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**  
**For The Year Ended June 30, 2005**





**LARUE COUNTY**  
**STATEMENT OF CASH FLOWS - PROPRIETARY FUND - MODIFIED CASH BASIS**

**For The Year Ended June 30, 2005**

	<u><b>Business-Type Activities</b></u>
	<u><b>Enterprise Fund</b></u>
	<u><b>Jail Canteen Fund</b></u>
<b>Cash Flows From Operating Activities</b>	
Receipts From Customers	\$ 27,104
Cost of Sales	(125,936)
Net Cash Used By Operating Activities	<u>(98,832)</u>
<b>Cash Flows From Noncapital Financing Activities</b>	
Inmate Pay From State	7,906
Inmate Account	137,413
Inmate State Payroll	(1,991)
Inmate Refunds on Accounts	(32,852)
Miscellaneous	(12,549)
Net Cash Provided By Noncapital Financing Activities	<u>97,927</u>
<b>Cash Flows From Investing Activities</b>	
Interest Earned	<u>134</u>
Net Cash Provided By Investing Activities	<u>134</u>
Net (Decrease) in Cash and Cash Equivalents	(771)
Cash and Cash Equivalents - July 1	<u>14,601</u>
Cash and Cash Equivalents - June 30	<u><u>\$ 13,830</u></u>
<b>Reconciliation of Operating Income to Net Cash Provided (Used) by Operating Activities</b>	<u><b>Jail Canteen Fund</b></u>
Operating Loss	\$ (98,832)
Net Cash Used By Operating Activities	<u><u>\$ (98,832)</u></u>

The accompanying notes are an integral part of the financial statements.

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TO THE FINANCIAL STATEMENTS**

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**LARUE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**

**June 30, 2005**

**Note 1. Summary of Significant Accounting Policies**

**A. Basis of Presentation**

The county presents its government wide and fund financial statements in accordance with a modified cash basis of accounting, which is a comprehensive basis of accounting other than accounting principles generally accepted in the United States of America. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. This modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets, among other items, are not reflected in the financial statements.

The State Local Finance Officer does not require the county to report capital assets and infrastructure; however the value of these assets is included in the Statement of Net Assets and their corresponding depreciation expense is included on the Statement of Activities.

**B. Reporting Entity**

The financial statements of LaRue County include the funds, agencies, boards, and entities for which the fiscal court is financially accountable. Financial accountability, as defined by Section 2100 of the Governmental Accounting Standards Board (GASB) Codification of Governmental Accounting and Financial Reporting Standards, as amended by GASB 14 and GASB 39, was determined on the basis of the government's ability to significantly influence operations, select the governing authority, participate in fiscal management and the scope of public service. Consequently, the reporting entity includes organizations that are legally separate from the primary government. Legally separate organizations are reported as component units if either the county is financially accountable or the organization's exclusion would cause the county's financial statements to be misleading or incomplete. Component units may be blended or discretely presented. Based upon the application of the criteria stated in GASB 14, management has included the LaRue County Building Commission Corporation as a component unit of LaRue County Fiscal Court. Blended component units either provide their services exclusively or almost entirely to the primary government, or their governing bodies are substantively the same as the primary government.

Blended Component Units

The fiscal court has included the LaRue County Building Commission Corporation because they appoint a voting majority of the governing board and impose their will to significantly influence the activities of the commission. The financial statements of the corporation are blended with those of the LaRue County Fiscal Court.

**LARUE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**B. Reporting Entity (Continued)**

Kentucky law provides for election of the officials below from the geographic area constituting LaRue County. Pursuant to state statute, these officials perform various services for the Commonwealth of Kentucky, its judicial courts, the fiscal court, various cities and special districts within the county, and the board of education. In exercising these responsibilities, however, they are required to comply with state laws. Audits of their financial statements are issued separately and individually and can be obtained from their respective administrative offices. These financial statements are not required to be included in the financial statements of LaRue County, Kentucky.

Additional- LaRue County Elected Officers

- Circuit Court Clerk
- County Attorney
- Property Valuation Administrator
- County Clerk
- County Sheriff

**C. Government-wide and Fund Financial Statements**

The government-wide financial statements (i.e., the statement of net assets and the statement of activities) report information on all of the non-fiduciary activities of the primary government and its non-fiduciary component units. For the most part, the effect of interfund activities has been removed from these statements. Governmental activities, which normally are supported by taxes and intergovernmental revenues, are reported separately from business-type activities, which rely to a significant extent on sales, fees, and charges for support. Business-type revenues come mostly from fees charged to external parties for goods or services. Fiduciary funds are not included in these financial statements due to the unavailability of fiduciary funds to aid in the support of government programs.

The government-wide statements are reported using the economic resources measurement focus and the modified cash basis of accounting, as do the proprietary and fiduciary fund financial statements. Under this basis of accounting, assets, liabilities, and related revenues and expenditures are recorded when they result from cash transactions, with a few exceptions. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The statement of net assets presents the reporting entity's non-fiduciary assets and liabilities, the difference between the two being reported as net assets. Net assets are reported in three categories: 1) invested in capital assets, net of related debt - consisting of capital assets, net of accumulated depreciation and reduced by outstanding balances for debt related to the acquisition, construction, or improvement of those assets; 2) restricted net assets - resulting from constraints placed on net assets by creditors, grantors, contributors, and other external parties, including those constraints imposed by law through constitutional provisions or enabling legislation; and 3) unrestricted net assets - those assets that do not meet the definition of restricted net assets or invested in capital assets.

**LARUE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements (Continued)**

The statement of activities demonstrates the degree to which the direct expenses of a given function are offset by program revenues. Direct expenses are those that are clearly identifiable with a specific function. Program revenues include: 1) charges to customers or applicants who purchase, use, or directly benefit from goods, services, or privileges provided by a given function; 2) operating grants and contributions; and 3) capital grants and contributions that are restricted to meeting the operational or capital requirements of a particular function. Internally dedicated resources such as taxes and unrestricted state funds are reported as general revenues.

Funds are characterized as either major or non-major. Major funds are those whose assets, liabilities, revenues, or expenditures/expenses are at least ten percent of the corresponding total (assets, liabilities, etc.) for all funds or type (governmental or proprietary) and whose total assets, liabilities, revenues, or expenditures/expenses are a least five percent of the corresponding total for all governmental and enterprise funds combined. The fiscal court may also designate any fund as major.

Separate financial statements are provided for governmental funds, proprietary funds, and fiduciary funds. Major individual governmental funds and major enterprise funds are reported as separate columns in the financial statements.

**Governmental Funds**

All governmental fund statements are reported using the current financial resources measurement focus and the modified cash basis of accounting. The modified cash basis recognizes revenues when received and expenditures when paid. Property tax receivables, accounts payable, compensated absences, and donated assets are not reflected in the financial statements.

The primary government reports the following major governmental funds:

**General Fund** - This is the primary operating fund of the fiscal court. It accounts for all financial resources of the general government, except where the Governor's Office for Local Development requires a separate fund or where management requires that a separate fund be used for some function.

**Road and Bridge Fund** - This fund is for road and bridge construction and repair. The primary source of revenue for this fund is state payments for truck license distribution, municipal road aid, and transportation grants. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

**Jail Fund** - The primary purpose of this fund is to account for the jail expenses of the county. The primary sources of revenue for this fund are reimbursements from the state and federal government, payments from other counties for housing prisoners, and transfers from the General Fund. The Governor's Office for Local Development requires the fiscal court to maintain these receipts and expenditures separately from the General Fund.

The primary government also has the following non-major funds: LaRue County Courthouse Improvements Bond Funds - 1998 and 1999. These funds are used to account for the proceeds of specific revenue sources and expenditures that are legally restricted for specific purposes.

**LARUE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**C. Government-wide and Fund Financial Statements (Continued)**

**Governmental Funds (Continued)**

Generally, and except as otherwise provided by law, property taxes are assessed as of January 1, levied (mailed) September 15, due at discount November 1, due at face value December 31, delinquent January 1, following the assessment and subject to lien and sale February 1, following the delinquency date.

**Proprietary Funds**

All proprietary funds are reported using the economic resources measurement focus and the modified cash basis of accounting. Proprietary funds distinguish operating revenues and expenses from non-operating items. Operating revenues and expenses generally result from providing services and producing and delivering goods in connection with proprietary funds' principal ongoing operations. All revenues and expenses not meeting this definition are reported as non-operating revenues and expenses. The principal operating revenues of the county's enterprise funds are charges to customers for sales in the Jail Canteen Fund. Operating expenses for the enterprise funds include the cost of sales and services, administrative expenses, and depreciation on capital assets. The government has elected not to adopt Financial Accounting Standards Board (FASB) Statements or Interpretations issued after November 30, 1989, unless the Governmental Accounting Standards Board (GASB) specifically adopts such FASB Statements or Interpretations.

The primary government reports the following major proprietary fund:

Jail Canteen Fund - The canteen operations are authorized pursuant to KRS 441.135(1), which allows the jailer to sell snacks, sodas, and other items to inmates. The profits generated from the sale of those items are to be used for the benefit or recreation of the inmates. KRS 441.135(2) requires the jailer to maintain accounting records and report annually to the county treasurer the receipts and disbursements of the Jail Canteen Fund.

**D. Deposits and Investments**

The government's cash and cash equivalents are considered to be cash on hand, demand deposits, certificates of deposit, and short-term investments with original maturities of three months or less from the date of acquisition.

KRS 66.480 authorizes the county to invest in the following, including but not limited to, obligations of the United States and of its agencies and instrumentalities, obligations and contracts for future delivery or purchase of obligations backed by the full faith and credit of the United States, obligations of any corporation of the United States government, bonds or certificates of indebtedness of this state, and certificates of deposit issued by or other interest-bearing accounts of any bank or savings and loan institution which are insured by the Federal Deposit Insurance Corporation (FDIC) or which are collateralized, to the extent uninsured, by any obligation permitted by KRS 41.240(4).

**LARUE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**E. Capital Assets**

Capital assets, which include land, land improvements, buildings, furniture and office equipment, building improvements, machinery, equipment, and infrastructure assets (roads and bridges) that have a useful life of more than one reporting period based on the government's capitalization policy, are reported in the applicable governmental or business-type activities of the government-wide financial statements. Such assets are recorded at historical cost or estimated historical cost when purchased or constructed.

Cost of normal maintenance and repairs that do not add to the value of the asset or materially extend the asset's life are not capitalized. Land and Construction In Progress are not depreciated. Interest incurred during construction is not capitalized. Capital assets and infrastructure are depreciated using the straight-line method of depreciation over the estimated useful life of the asset.

	Capitalization Threshold	Useful Life (Years)
Land Improvements	\$ 12,500	10-60
Buildings and Building Improvements	\$ 25,000	10-75
Machinery and Equipment	\$ 2,500	3-25
Vehicles	\$ 2,500	3-15
Infrastructure	\$ 20,000	10-50

**F. Long-term Obligations**

In the government-wide financial statements and proprietary funds in the fund financial statements, long term debt and other long-term obligations are reported as liabilities in the applicable financial statements. The principal amount of bonds, notes and financing obligations are reported.

In the fund financial statements, governmental funds recognize bond interest, as well as bond issuance costs when received or when paid, during the current period. The principal amount of the debt and interest are reported as expenditures. Issuance costs, whether or not withheld from the actual debt proceeds received, are reported as expenditures. Debt proceeds are reported as other financing sources.

**G. Fund Equity**

In the fund financial statements, the difference between the assets and liabilities of governmental funds is reported as fund balance. Fund balance is divided into reserved and unreserved components, with unreserved considered available for new spending. Unreserved fund balances may be divided into designated and undesignated portions. Designations represent fiscal court's intended use of the resources and should reflect actual plans approved by the fiscal court.

Governmental funds report reservations of fund balance for amounts that are legally restricted by outside parties for use for a specific purpose, long-term receivables, and encumbrances.

**LARUE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 1. Summary of Significant Accounting Policies (Continued)**

**G. Fund Equity (Continued)**

“Reserved for Encumbrances” are purchase orders that will be fulfilled in a subsequent fiscal period. Although the purchase order or contract creates a legal commitment, the fiscal court incurs no liability until performance has occurred on the part of the party with whom the fiscal court has entered into the arrangement. When a government intends to honor outstanding commitments in subsequent periods, such amounts are encumbered. Encumbrances lapse at year-end and are not reflected on the Statement of Net Assets and Statement of Activities; however, encumbrances are reflected on the Balance Sheet - Governmental Funds as part of the fund balance.

**H. Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**I. Related Organizations, Joint Venture, and Jointly Governed Organizations**

A related organization is an entity for which a primary government is not financially accountable. It does not impose will or have a financial benefit or burden relationship, even if the primary government appoints a voting majority of the related organization’s governing board. Based on these criteria, the following are considered related organizations of LaRue County Fiscal Court: LaRue County Extension Service, LaRue County Health Department, and LaRue County Library.

**Note 2. Deposits**

The primary government and component units maintained deposits of public funds with depository institutions insured by the Federal Deposit Insurance Corporation (FDIC) in accordance with KRS 66.480(1)(d). According to KRS 41.240(4), the depository institution should pledge or provide sufficient collateral which, together with FDIC insurance, equals or exceeds the amount of public funds on deposit at all times. In order to be valid against the FDIC in the event of failure or insolvency of the depository institution, this pledge or provision of collateral should be evidenced by an agreement between the county and the depository institution, signed by both parties, that is (a) in writing, (b) approved by the board of directors of the depository institution or its loan committee, which approval must be reflected in the minutes of the board or committee, and (c) an official record of the depository institution.

**Custodial Credit Risk - Deposits**

Custodial credit risk is the risk that in the event of a depository institution failure, the government’s deposits may not be returned to it. LaRue County Fiscal Court does not have a deposit policy for custodial credit risk, but rather follows the requirements of KRS 41.240(4). As of June 30, 2005, all deposits were covered by FDIC insurance or a properly executed collateral security agreement.



**LARUE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 3. Capital Assets**

Capital asset activity for the year ended June 30, 2005 was as follows:

	Reporting Entity			
	Beginning Balance	Increases	Decreases	Ending Balance
<b>Primary Government:</b>				
<u>Governmental Activities:</u>				
Capital Assets Not Being Depreciated:				
Land and Land Improvements	\$ 1,107,499	\$	\$	\$ 1,107,499
Total Capital Assets Not Being Depreciated	1,107,499			1,107,499
Capital Assets, Being Depreciated:				
Buildings	8,251,167			8,251,167
Other Equipment	1,130,936	46,623		1,177,559
Vehicles and Equipment	521,468			521,468
Infrastructure	4,520,456	209,421		4,729,877
Total Capital Assets Being Depreciated	14,424,027	256,044		14,680,071
Less Accumulated Depreciation For:				
Buildings	(3,581,493)	(147,477)		(3,728,970)
Other Equipment	(640,192)	(74,554)		(714,746)
Vehicles and Equipment	(262,353)	(64,364)		(326,717)
Infrastructure	(1,167,369)	(116,003)		(1,283,372)
Total Accumulated Depreciation	(5,651,407)	(402,398)		(6,053,805)
Total Capital Assets, Being Depreciated, Net	8,772,620	(146,354)		8,626,266
Governmental Activities Capital Assets, Net	\$ 9,880,119	\$ (146,354)	\$ 0	\$ 9,733,765

Governmental Activities:

General Government	\$ 64,971
Protection to Persons and Property	128,774
General Health and Sanitation	8,263
Social Services	6,219
Recreation and Culture	5,294
Roads, Including Depreciation of General Infrastructure Assets	<u>188,877</u>
Total Depreciation Expense - Governmental Activities	<u>\$ 402,398</u>

**LARUE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 4. Short-term Debt**

In July 2004, LaRue County Fiscal Court participated in the Kentucky Association of Counties Advance Revenue Program by issuing a note in the amount of \$2,111,000, with principal being due in January 2005. While the Fiscal Court did not use the borrowed funds in order to meet current General Fund expenses, they were able to reinvest the funds and receive net interest earnings from the Kentucky Association of Counties Kentucky Advance Revenue Program of \$6,483.

Changes In Short-term Liabilities

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
Revenue Anticipation Note	\$	\$2,111,000	\$2,111,000	\$	\$
Governmental Activities Short-term Liabilities	\$ 0	\$ 2,111,000	\$ 2,111,000	\$ 0	\$ 0

**Note 5. Long-term Debt**

**A. First Mortgage Refunding Revenue Bonds, Series of 1998**

The LaRue County Building Commission Corporation issued \$705,000 of First Mortgage Revenue Bonds, Series of 1991, dated January 1, 1991, at various interest rates for the purpose of constructing a courthouse facility (referred to herein as the "prior bonds").

The LaRue County Building Commission Corporation issued \$630,000 of First Mortgage Revenue Bonds, Series of 1998, dated October 1, 1998, at 4.10% interest rate for the purpose of discharging the outstanding prior bonds. Proceeds of the refunding revenue bonds were deposited into an Escrow Fund, and used to meet the scheduled principal and interest payments of the prior bonds, from January 1, 1999 through January 1, 2001 (dates inclusive). On January 1, 2001, the prior bonds were called at 103% and all outstanding prior bonds were retired using the remaining balance of the Escrow Fund.

Bond principal and interest requirements of the Jail Fund are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2006	\$ 50,000	\$ 13,530
2007	50,000	11,480
2008	55,000	9,430
2009	55,000	7,175
2010	60,000	4,920
2011	60,000	2,460
Totals	\$ 330,000	\$ 48,995

**LARUE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**B. General Obligation Improvement Bonds, Series of 1999**

The LaRue County Fiscal Court issued \$1,910,000 of General Obligation Improvement Bonds, Series of 1999, dated January 1, 1999, at various interest rates for the purpose of construction of courthouse facilities.

Bond principal and interest requirements of the Courthouse Improvements Bond Fund are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2006	\$ 80,000	\$ 65,690
2007	85,000	62,490
2008	85,000	59,090
2009	90,000	55,690
2010	95,000	51,910
2011-2015	535,000	194,140
2016-2019	<u>525,000</u>	<u>58,650</u>
Totals	<u>\$ 1,495,000</u>	<u>\$ 547,660</u>

**C. Jail Annex**

On June 22, 1992, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the construction of a 30-bed jail annex. The principal was \$164,000 at 5.409 percent interest for a period of 20 years, with interest paid monthly and principal paid annually. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2006	\$ 9,000	\$ 4,698
2007	10,000	4,094
2008	10,000	3,453
2009	11,000	2,785
2010	11,000	1,136
2011-2012	<u>26,000</u>	<u>2,685</u>
Totals	<u>\$ 77,000</u>	<u>\$ 18,851</u>

**LARUE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**D. Road Garage Property**

On September 12 1997, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of property for the road garage. The principal was \$385,000 at 4.25 percent interest for a period of 15 years, with interest and principal paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2006	\$ 26,057	\$ 7,667
2007	27,178	6,671
2008	28,347	5,632
2009	29,567	4,548
2010	30,839	1,964
2011-2013	74,281	4,755
Totals	<u>\$ 216,269</u>	<u>\$ 31,237</u>

**E. Road Paving Project**

On May 8, 1998 the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for paving of roads. The principal was \$300,000 at 4.5 percent interest for a period of 10 years, with interest and principal paid annually. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2006	\$ 33,000	\$ 5,099
2007	35,000	3,229
2008	38,000	1,225
Totals	<u>\$ 106,000</u>	<u>\$ 9,553</u>

**LARUE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**F. Road Equipment #2**

On August 14, 2001, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of road equipment. The principal was \$66,390 at 4.67 percent interest for a period of five years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2006	\$ 14,264	\$ 408
2007	<u>2,225</u>	<u>12</u>
Totals	<u>\$ 16,489</u>	<u>\$ 420</u>

**G. Back-Hoe Loader**

On September 26, 2001, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a backhoe loader. The principal was \$55,000 at 3.86 percent interest for a period of five years, with interest paid monthly and principal paid annually. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2006	<u>\$ 15,000</u>	<u>\$ 278</u>

**H. Sheriff's Vehicles**

On February 26, 2004, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of two Sheriff vehicles. The principal was \$49,851 at 2.245 percent interest for a period of six years, with interest and principal paid monthly. Future principal and interest requirements are:

<u>Fiscal Year Ended June 30</u>	<u>Scheduled Principal</u>	<u>Scheduled Interest</u>
2006	\$ 7,991	\$ 1,130
2007	8,235	893
2008	8,487	649
2009	8,746	395
2010	<u>6,735</u>	<u>127</u>
Totals	<u>\$ 40,194</u>	<u>\$ 3,194</u>

**LARUE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 5. Long-term Debt (Continued)**

**I. Dump Truck**

On February 26, 2004, the LaRue County Fiscal Court entered into an agreement with the Kentucky Association of Counties Leasing Trust (KACoLT). The agreement was for the purchase of a Sterling Dump Truck, salt spreader, and snow plow. The principal was \$74,617 at 2.245 percent interest for a period of six years, with interest and principal paid monthly. Future principal and interest requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2006	\$ 11,961	\$ 1,692
2007	12,327	1,336
2008	12,703	972
2009	13,091	592
2010	10,081	190
Totals	<u>\$ 60,163</u>	<u>\$ 4,782</u>

**J. Changes In Long-term Liabilities**

Long-term liability activity for the year ended June 30, 2005, was as follows:

	Beginning Balance	Additions	Reductions	Ending Balance	Due Within One Year
<b>Primary Government:</b>					
<u>Governmental Activities:</u>					
General Obligation Bonds	\$ 1,570,000	\$	\$ 75,000	\$ 1,495,000	\$ 80,000
Revenue Bonds	375,000		45,000	330,000	50,000
Financing Obligations	<u>640,504</u>		<u>109,389</u>	<u>531,115</u>	<u>117,273</u>
Governmental Activities					
Long-term Liabilities	<u>\$ 2,585,504</u>	<u>\$ 0</u>	<u>\$ 229,389</u>	<u>\$ 2,356,115</u>	<u>\$ 247,273</u>

**Note 6. Interest On Long-term Debt and Financing Obligations**

Debt Service on the Statement of Activities includes \$21,897 in interest on financing obligations and \$84,065 in interest on bonds and notes.

**LARUE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 7. Commitments and Contingencies - The Lincoln Museum, Inc.**

On May 23, 2002, the LaRue County Fiscal Court entered into a lease-purchase agreement with Kentucky Area Development Districts (KADD) Financing Trust in the amount of \$285,000 for the renovation of the Abraham Lincoln museum. These payments are to be made by The Lincoln Museum, Inc. As of June 30, 2003, the principal outstanding was \$285,000. The debt service requirements are:

Fiscal Year Ended June 30	Scheduled Principal	Scheduled Interest
2006	\$ 40,000	\$ 14,568
2007	40,000	12,667
2008	40,000	10,768
2009	40,000	8,828
2010	40,000	6,847
2011-2012	85,000	7,589
Totals	<u>\$ 285,000</u>	<u>\$ 61,267</u>

**Note 8. Federal Grant - Pearman Interpretive Center Project**

During the fiscal year ended June 30, 2003, LaRue County Fiscal Court was awarded a land and water conservation grant in the amount of \$53,000 from the National Park Service of the U.S. Department of the Interior. The purpose of the grant is to assist in the renovation of a house into an interpretive center to be used for public outdoor recreational activities. The house is located on a local 228-acre farm site that was previously purchased by the County. The grant requires a 50% match of local funding with the County being reimbursed after funds are expended. Total expenditures for the fiscal years ended June 30, 2003, 2004, and 2005 were \$6,402, \$76,723, and \$75,867 respectively. The County received \$51,794 during the fiscal year ended June 30, 2005. The balance of the grant receivable as of June 30, 2005 was \$1,206.

**Note 9. Employee Retirement System**

The county has elected to participate in the County Employees Retirement System (CERS), pursuant to KRS 78.530 administered by the Board of Trustees of the Kentucky Retirement Systems. This is a cost sharing, multiple-employer, defined benefit pension plan, which covers all eligible full-time employees and provides for retirement, disability, and death benefits to plan members. Benefit contributions and provisions are established by statute. Nonhazardous covered employees are required to contribute 5 percent of their salary to the plan. The county's contribution rate for nonhazardous employees was 8.48 percent. Hazardous covered employees are required to contribute 8 percent of their salary to the plan. The county's contribution rate for hazardous employees was 22.08 percent.

Benefits fully vest on reaching five years of service for nonhazardous employees. Aspects of benefits for nonhazardous employees include retirement after 27 years of service or age 65. Aspects of benefits for hazardous employees include retirement after 20 years of service or age 55.

Historical trend information showing the CERS' progress in accumulating sufficient assets to pay benefits when due is presented in the Kentucky Retirement Systems' annual financial report. This report may be obtained by writing the Kentucky Retirement System, 1260 Louisville Road, Frankfort, KY 40601-6124 or by telephone at (502) 564-4646.

**LARUE COUNTY**  
**NOTES TO FINANCIAL STATEMENTS**  
**June 30, 2005**  
**(Continued)**

**Note 10. Deferred Compensation**

On February 24, 2000, the LaRue County Fiscal Court voted to allow all eligible employees to participate in deferred compensation plans administered by The Kentucky Public Employees' Deferred Compensation Authority. The Kentucky Public Employees' Deferred Compensation Authority is authorized under KRS 18A.230 to 18A.275 to provide administration of tax sheltered supplemental retirement plans for all state, public school and university employees and employees of local political subdivisions that have elected to participate. These deferred compensation plans permits all full time employees to defer a portion of their salary until future years. The deferred compensation is not available to employees until termination, retirement, death, or unforeseeable emergency. Participation by eligible employees in the deferred compensation plans is voluntary.

Historical trend information showing The Kentucky Public Employees' Deferred Compensation Authority's progress in accumulating sufficient assets to pay benefits when due is presented in The Kentucky Public Employees' Deferred Compensation Authority's annual financial report. This report may be obtained by writing the Kentucky Public Employee's Deferred Compensation Authority at 105 Sea Hero Road, Suite 1, Frankfort, Kentucky, 40601-8862, or by telephone at (502) 573-7925.

**Note 11. Insurance**

For the fiscal year ended June 30, 2005, LaRue County was a member of the Kentucky Association of Counties' All Lines Fund (KALF). KALF is a self-insurance fund and was organized to obtain lower cost coverage for general liability, property damage, public officials' errors and omissions, public liability, and other damages. The basic nature of a self-insurance program is that of a collectively shared risk by its members. If losses incurred for covered claims exceed the resources contributed by the members, the members are responsible for payment of the excess losses.

**Note 12. Prior Period Adjustments**

The beginning net assets of the county's governmental funds has been restated by \$44,566, from \$8,712,371 to \$8,667,805, due to errors in calculating depreciation during the prior year and to adjustments for prior year voided checks. During the prior year, depreciation expense was understated by \$44,613 and expenditures of the general fund and jail fund were overstated by \$15 and \$32 respectively, resulting in the net adjustment to beginning net assets of \$44,566. The beginning fund balances of the general fund and jail fund have also been restated by \$15 and \$32 respectively due to the prior year voided checks.

**Note 13. Estimated Infrastructure Historical Cost**

Historical cost of infrastructure placed in service prior to the fiscal year ended June 30, 2004 (year of GASB 34 implementation) is an estimate. For those assets, the primary government estimated the year infrastructure was built by determining when a major reconstruction had been done on infrastructure. This estimate was used to calculate the infrastructure historical cost by determining current year construction cost and deflating it back to the estimated year of construction or reconstruction. Estimated infrastructure historical cost includes infrastructure placed in service from fiscal year 1984 through the current fiscal year. All infrastructure assets placed in service during the fiscal year ended June 30, 2004 and thereafter are recorded at actual historical cost.



**LARUE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**



**LARUE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**

	<b>GENERAL FUND</b>			
	<b>Budgeted Amounts</b>		<b>Actual</b>	<b>Variance with</b>
	<b>Original</b>	<b>Final</b>	<b>Amounts, (Budgetary Basis)</b>	<b>Final Budget Positive (Negative)</b>
<b>REVENUES</b>				
Taxes	\$ 879,125	\$ 879,125	\$ 924,400	\$ 45,275
In Lieu Tax Payments	1,350	1,350	1,384	34
Excess Fees	87,750	87,750	89,644	1,894
Licenses and Permits	48,000	48,000	56,807	8,807
Intergovernmental Revenue	1,476,500	1,476,500	375,085	(1,101,415)
Charges for Services	420,000	420,000	466,966	46,966
Miscellaneous	56,500	56,500	51,869	(4,631)
Interest	25,000	25,000	32,930	7,930
Total Revenues	<u>2,994,225</u>	<u>2,994,225</u>	<u>1,999,085</u>	<u>(995,140)</u>
<b>EXPENDITURES</b>				
General Government	456,275	488,035	383,501	104,534
Protection to Persons and Property	605,275	638,939	533,075	105,864
General Health and Sanitation	1,063,500	1,005,731	63,282	942,449
Social Services	22,000	24,423	21,781	2,642
Recreation and Culture	122,035	122,035	107,867	14,168
Administration	514,950	446,082	420,839	25,243
Total Expenditures	<u>2,784,035</u>	<u>2,725,245</u>	<u>1,530,345</u>	<u>1,194,900</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>210,190</u>	<u>268,980</u>	<u>468,740</u>	<u>199,760</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers To Other Funds	<u>(386,340)</u>	<u>(386,340)</u>	<u>(448,822)</u>	<u>(62,482)</u>
Total Other Financing Sources (Uses)	<u>(386,340)</u>	<u>(386,340)</u>	<u>(448,822)</u>	<u>(62,482)</u>
Net Changes in Fund Balance	(176,150)	(117,360)	19,918	137,278
Fund Balance - Beginning	<u>176,150</u>	<u>176,150</u>	<u>1,301,646</u>	<u>1,125,496</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 58,790</u>	<u>\$ 1,321,564</u>	<u>\$ 1,262,774</u>

**LARUE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

<b>ROAD AND BRIDGE FUND</b>				
	<b>Budgeted Amounts</b>		<b>Actual Amounts, (Budgetary Basis)</b>	<b>Variance with Final Budget Positive (Negative)</b>
	<b>Original</b>	<b>Final</b>		
<b>REVENUES</b>				
Intergovernmental Revenue	\$ 1,121,282	\$ 1,121,282	\$ 978,708	\$ (142,574)
Charges for Services	2,500	2,500		(2,500)
Miscellaneous	25,500	25,500	28,425	2,925
Interest	2,600	2,600	2,303	(297)
Total Revenues	<u>1,151,882</u>	<u>1,151,882</u>	<u>1,009,436</u>	<u>(142,446)</u>
<b>EXPENDITURES</b>				
Roads	1,101,450	1,128,244	979,834	148,410
Administration	164,950	138,156	128,608	9,548
Total Expenditures	<u>1,266,400</u>	<u>1,266,400</u>	<u>1,108,442</u>	<u>157,958</u>
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	<u>(114,518)</u>	<u>(114,518)</u>	<u>(99,006)</u>	<u>15,512</u>
<b>OTHER FINANCING SOURCES (USES)</b>				
Transfers From Other Funds	<u>104,518</u>	<u>104,518</u>	<u>92,000</u>	<u>(12,518)</u>
Total Other Financing Sources (Uses)	<u>104,518</u>	<u>104,518</u>	<u>92,000</u>	<u>(12,518)</u>
Net Changes in Fund Balance	(10,000)	(10,000)	(7,006)	2,994
Fund Balance - Beginning	<u>10,000</u>	<u>10,000</u>	<u>9,386</u>	<u>(614)</u>
Fund Balance - Ending	<u>\$ 0</u>	<u>\$ 0</u>	<u>\$ 2,380</u>	<u>\$ 2,380</u>

**LARUE COUNTY**  
**BUDGETARY COMPARISON SCHEDULES**  
**Required Supplementary Information - Modified Cash Basis**  
**For The Year Ended June 30, 2005**  
**(Continued)**

JAIL FUND				
	Budgeted Amounts		Actual Amounts, (Budgetary Basis)	Variance with Final Budget Positive (Negative)
	Original	Final		
REVENUES				
Intergovernmental Revenue	\$ 795,531	\$ 795,531	\$ 828,335	\$ 32,804
Charges for Services	52,800	52,800	33,940	(18,860)
Miscellaneous	41,000	41,000	25,158	(15,842)
Interest	200	200	59	(141)
Total Revenues	889,531	889,531	887,492	(2,039)
EXPENDITURES				
Protection to Persons and Property	844,950	927,260	910,092	17,168
Debt Service	221,853	221,853	216,732	5,121
Administration	179,550	156,030	146,538	9,492
Total Expenditures	1,246,353	1,305,143	1,273,362	31,781
Excess (Deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)				
	(356,822)	(415,612)	(385,870)	29,742
OTHER FINANCING SOURCES (USES)				
Transfers From Other Funds	281,822	281,822	356,822	75,000
Total Other Financing Sources (Uses)	281,822	281,822	356,822	75,000
Net Changes in Fund Balance	(75,000)	(133,790)	(29,048)	104,742
Fund Balance - Beginning	75,000	75,000	66,453	(8,547)
Fund Balance - Ending	\$ 0	\$ (58,790)	\$ 37,405	\$ 96,195

**LARUE COUNTY**  
**NOTES TO REQUIRED SUPPLEMENTARY INFORMATION**

**June 30, 2005**

**Budgetary Information**

Annual budgets are adopted on a cash basis of accounting and according to the laws of Kentucky as required by the State Local Finance Officer.

The County Judge/Executive is required to submit estimated receipts and proposed expenditures to the fiscal court by May 1 of each year. The budget is prepared by fund, function, and activity and is required to be adopted by the fiscal court by July 1.

The fiscal court may change the original budget by transferring appropriations at the activity level; however, the fiscal court may not increase the total budget without approval by the State Local Finance Officer. Expenditures may not exceed budgeted appropriations at the activity level.

**Reconciliation Between Budgetary Basis and Modified Cash Basis**

	<u><b>General Fund</b></u>	<u><b>Jail Fund</b></u>
<b><u>Revenues</u></b>		
Budgetary Basis	\$ 1,999,085	
Sheriff's Payments on Vehicle Lease	7,754	
Modified Cash Basis	<u>\$ 2,006,839</u>	
<b><u>Expenditures</u></b>		
Budgetary Basis	\$ 1,530,345	\$ 1,273,362
Sheriff Vehicles Lease	7,754	
Miscellaneous Administrative Expenditures	(9,303)	
Transfer to Courthouse Improvements Bond Fund		
For Debt Service		(204,065)
Modified Cash Basis	<u>\$ 1,528,796</u>	<u>\$ 1,069,297</u>

**LARUE COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2005**





**LARUE COUNTY**  
**COMBINING BALANCE SHEET -**  
**NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**June 30, 2005**

	<b>Courthouse Improvements Bond Fund 1999</b>	<b>Courthouse Improvements Bond Fund 1998</b>	<b>Total Non-Major Governmental Funds</b>
<b>ASSETS</b>			
Cash and Cash Equivalents	\$ 2	\$ 1	\$ 3
Total Assets	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 3</u>
<b>FUND BALANCES</b>			
Unreserved:			
Debt Service Funds	\$ 2	\$ 1	\$ 3
Total Fund Balances	<u>\$ 2</u>	<u>\$ 1</u>	<u>\$ 3</u>

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**LARUE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**  
**For The Year Ended June 30, 2005**



**LARUE COUNTY**  
**COMBINING STATEMENT OF REVENUES, EXPENDITURES, AND CHANGES**  
**IN FUND BALANCES - NON-MAJOR GOVERNMENTAL FUNDS - MODIFIED CASH BASIS**  
**Other Supplementary Information**

**For The Year Ended June 30, 2005**

	<b>Courthouse Improvements Bond Fund 1999</b>	<b>Courthouse Improvements Bond Fund 1998</b>	<b>Total Non-Major Governmental Funds</b>
<b>REVENUES</b>			
Total Revenues	\$	\$	\$
<b>EXPENDITURES</b>			
Debt Service	143,690	60,375	204,065
Total Expenditures	143,690	60,375	204,065
Excess (deficiency) of Revenues Over Expenditures Before Other Financing Sources (Uses)	(143,690)	(60,375)	(204,065)
<b>Other Financing Sources (Uses)</b>			
Transfers From Other Funds	143,690	60,375	204,065
Total Other Financing Sources (Uses)	143,690	60,375	204,065
Net Change in Fund Balances			
Fund Balances - Beginning	2	1	3
Fund Balances - Ending	\$ 2	\$ 1	\$ 3

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**REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING AND  
ON COMPLIANCE AND OTHER MATTERS BASED ON AN AUDIT OF FINANCIAL  
STATEMENTS PERFORMED IN ACCORDANCE WITH GOVERNMENT AUDITING STANDARDS**







CRIT LUALLEN  
AUDITOR OF PUBLIC ACCOUNTS

The Honorable Tommy Turner, LaRue County Judge/Executive  
Members of the LaRue County Fiscal Court

Report On Internal Control Over Financial Reporting And  
On Compliance And Other Matters Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards

We have audited the financial statements of the governmental activities, the business-type activities, each major fund, and the aggregate remaining fund information of LaRue County, Kentucky, as of and for the year ended June 30, 2005, which collectively comprise the County's basic financial statements and have issued our report thereon dated April 6, 2006. LaRue County presents its financial statements on the modified cash basis of accounting, which is a comprehensive basis of accounting other than generally accepted accounting principles. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered LaRue County's internal control over financial reporting in order to determine our auditing procedures for the purpose of expressing our opinion on the financial statements and not to provide an opinion on the internal control over financial reporting. Our consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control that might be material weaknesses. A material weakness is a reportable condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions. We noted no matters involving the internal control over financial reporting and its operation that we consider to be material weaknesses.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether LaRue County's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit, and accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.



Report On Compliance And On Internal Control  
Over Financial Reporting Based On An Audit Of Financial  
Statements Performed In Accordance With Government Auditing Standards  
(Continued)

This report is intended solely for the information and use of LaRue County Fiscal Court, management, and the Kentucky Governor's Office for Local Development and is not intended to be and should not be used by anyone other than these specified parties.

Respectfully submitted,

A handwritten signature in black ink, appearing to read "Crit Luallen", with a long horizontal flourish extending to the right.

Crit Luallen  
Auditor of Public Accounts

Audit fieldwork completed -  
April 6, 2006

